# Table of Contents

## The Goal of UFJ Group

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievements</td>
<td></td>
</tr>
<tr>
<td>- Improved Balance Sheet</td>
<td>3</td>
</tr>
<tr>
<td>- Integration and Reorganization of Group Companies</td>
<td>4</td>
</tr>
<tr>
<td>- Framework for Effective Corporate Governance</td>
<td>5</td>
</tr>
<tr>
<td>- Roles of Holding Company</td>
<td>6</td>
</tr>
<tr>
<td>Direction of Group Strategy</td>
<td>7</td>
</tr>
<tr>
<td>Core Banking Business - Actions for FY2002</td>
<td>8</td>
</tr>
<tr>
<td>- Structural Reform on Profitability</td>
<td></td>
</tr>
<tr>
<td>Securing Appropriate Return on Credit Risk</td>
<td>9</td>
</tr>
<tr>
<td>Restructuring Loan Portfolio</td>
<td>10</td>
</tr>
<tr>
<td>Securing Stable Source of Income</td>
<td>11</td>
</tr>
<tr>
<td>Thorough Cost Reductions</td>
<td>12</td>
</tr>
<tr>
<td>- Further Improvement of Financial Quality</td>
<td>13</td>
</tr>
<tr>
<td>Other Financial Businesses</td>
<td></td>
</tr>
<tr>
<td>- Securities Business</td>
<td>15</td>
</tr>
<tr>
<td>- Credit Card / Retail Loans Business</td>
<td>17</td>
</tr>
<tr>
<td>- Insurance Business</td>
<td>20</td>
</tr>
<tr>
<td>Commitment to Maximize Group Value</td>
<td>21</td>
</tr>
</tbody>
</table>
The Goal of UFJ Group

To be a leading comprehensive financial group offering innovative and sophisticated services with particular emphasis on retail and small to medium-sized corporate markets.

Offers broad range of financial services:
- Banking
- Trust
- Securities

UFJ group enjoys well balanced customer base over 3 major metropolitan areas in Japan.

Pursuing “Revenue synergies” and “efficient usage of managerial resources”

Creating new business opportunities

Maximizing corporate value as a group

The 4th Japanese Financial Service Conference
Achievements

Swiftly built a framework to become a Comprehensive Financial Group

**Improved Balance Sheet**
- Problem loans addressed aggressively
- Reduction of risk associated with shareholdings
- Maintenance of sufficient BIS Capital Ratio

**Enhanced Group Structure**
- Integration and reorganization of group companies
- Establishment of an effective framework for corporate governance
- Holding company shifted its role from “promoting integration” to “promoting comprehensive financial strategy”
Achievements – Improved Balance Sheet

Drastic measures taken for balance sheet improvement

- Took aggressive actions for resolution of problem loans
  - Credit related expenses for FY ended March 31, 2002: Yen 2 tril.
    - drastic measures taken, with credit cost of Yen 1.1 tril., for large troubled borrowers
  - Problem loans as of March 31, 2002: Yen 6.4 tril. (under Financial Revitalization Law)

- Aggressively sold cross shareholdings
  - Sold amount in FY ended March 31, 2002: Yen 1.48 tril.

- Maintained sufficient BIS Capital Ratio
  - BIS Capital Ratio as of March 31, 2002: 11.0% (UFJ Holdings)
    - Strategic capital raising: Issued preferred securities of Yen 218 bil.
    - Reduction of risk weighted assets: Yen 10.5 tril.
Achievements
- Integration and Reorganization of Group Companies

Prompt integrations and reorganizations of group companies aiming efficient group management

UFJ Holdings

- UFJ Bank
  - Integrated Jan 02

- UFJ Trust
  - Renamed Jan 02
  - (Became direct sub. Mar. 02)

- UFJ Asset Mgmt
  - Integrated Apr 01
  - (Became direct sub. Mar. 02)

- UFJ Partners Asset Mgmt
  - Integrated Apr 01

- UFJ Tsubasa Securities
  - Integrated Jun 02

- UFJ Card
  - Integrated Jan 02
  - (Became sub. Sep 02)

- UFJ Business Finance
  - Integrated Jul 02

- UFJ Capital
  - Integrated Jan 02

- UFJ Institute
  - Integrated Apr 02
Achievements
- Framework for Effective Corporate Governance

Fair and transparent management system

Framework of Corporate Governance at UFJ Holdings

Shareholders’ Meeting

Board of Directors (8 members)

External Directors (4 members)

Nomination Committee
Compensation Committee
Group Audit Committee

Management

President and Representative Director
Director and Executive Officer
Director (President, UFJ Bank)
Director (President, UFJ Trust)

Executive Officers

Group Management Committee

Other Executive Officers
Achievements - Roles of Holding Company

From “promoting integration” to “promoting comprehensive financial strategy”

- Allocation of Resources
- Group Management at Holding Company
- Monitoring

Develops optimal business portfolio that maximizes the value of the group
To become a “Comprehensive Financial Group” with banking business at its core

**<Achievements>**

**Core Banking Business**
- Problem loans addressed aggressively
- Steadily reaping results of measures to improve profitability

**Related Business**
- Significantly improved lineups for comprehensive financial services

**UFJ as a group**
- Established management platform as a comprehensive financial group

**<Challenges>**

- “Further improvement of Financial Quality”
- “Structural reform on profitability”
- Supplement group strategy targeting retail and small to medium-sized corporate market
- Secure stable profitability for each business segment

Maximizing group profitability through realizing revenue synergies and efficient usage of managerial resources
Core Banking Business – Actions for FY 2002

Top priorities on enhancing “profitability” and “financial strength”

Structural Reform on Profitability

- Securing appropriate return on credit risk
  - Improve spreads on corporate loans
- Restructuring loan portfolio
  - More emphasis on housing loans
- Securing stable source of income
  - Increases non-interest income
- Cost reductions
  - Promotes restructuring

Further Improvement of Financial Quality

- Improving quality of loan portfolio
- Reducing market risk associated with shareholdings
- Improving level of capital
Structural Reform on Profitability
- Securing Appropriate Return on Credit Risk

Improving spreads on corporate loans

Objectives

- 50 bp increase targeted to the loans with below required spread thru FY03
  - Over 20bp improvement expected for corporate loans as a whole

- Started to disclose internal credit ratings to customers in FY02

<Loans with below required spread>

- Number of customers: approx. 22,000
- Loans outstanding: Yen 12 tril.
- Current loan spread: 100bp

*Excluding loans to sub-standard borrowers and below, public and financial institutions, and large troubled borrowers

Progress by the end of September

- Good progress on spread: approx. +20bp compared to the end of last January
- Generally positive reactions from customers on disclosure of internal credit ratings
Structural Reform on Profitability
- Restructuring Loan Portfolio

Increases housing loans which are highly profitable with diversified risks

- New loan extensions in FY03 to be Yen 1.7 tril. mainly through tightening relationship with housing contractors

Measures to capture the expanding market for the private financial sector

- Increases No. of housing loan offices to tighten relationship with housing contractors

<table>
<thead>
<tr>
<th>No. of loan offices</th>
<th>Mar. 02</th>
<th>Sep. 02</th>
<th>Mar. 03</th>
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<tbody>
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<td></td>
<td>80</td>
<td>103</td>
<td>140</td>
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- Streamlines processing operation

- Provides new products substituting for GHLC

- Avoids price competition to keep high profitability

Housing Loans (UFJ Bank)

<table>
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<th></th>
<th>Mar. 01</th>
<th>Mar. 02</th>
<th>Mar. 04 (Plan)</th>
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<tr>
<td>Balance</td>
<td>0.9</td>
<td>1.0</td>
<td>7.3</td>
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<tr>
<td>New transaction</td>
<td></td>
<td></td>
<td>1.7</td>
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</table>
Structural Reform on Profitability  
- Securing Stable Source of Income

Stabilizes revenue by increasing non-interest income

**Trust-related Business (UFJ Trust)**
- **Real estate-related business**
  Growing to be a major source of income through cooperation with UFJ Bank
- **Corporate agency business**
  Intensified marketing in Nagoya area customers
- **Private clients services**
  Promoting succession-related services
  Nurturing real estate brokerage for individuals

**Corporate Business (UFJ Bank)**
- **Fees & Commissions (Domestic)**
  Advanced settlement service & electronic banking
- **Syndicated loan & securitization**
  Expansion in syndicated loan business
- **Client derivatives products**

**Retail Business (UFJ Bank)**
- **Full use of network and infrastructure for settlement**
  Increase of ATM-related commissions
- **Revising fee schedule to cover costs**

![Graph](image-url)

The 4th Japanese Financial Service Conference
Aggressive rationalization including accelerated branch consolidation

Measures for cost reduction

< Accelerated branch consolidation >
Taking advantage of the fastest system integration among Japanese Banks

< Additional reduction of employees >
Backed up by fast integration & effective allocation of human resources

Domestic Branches

No. of Employees (Thou.)
Further Improvement of Financial Quality

Alleviates financial risks by intensifying ongoing efforts

### Loan Portfolio Restructuring
- Securing appropriate return on risks
- De-concentration of Credit risks
- Build a framework for accelerating the formulation of corporate revitalization programs and collection of problem loans

### Reduction of Cross Shareholdings
- Approximately Yen 330 bil. sold in the 1st half of FY02
  - Negotiation with customers on schedule
- Sale of Yen 1.46 tril. targeted in FY02: Accelerates sale in the 2nd half

### Sufficient Level of Capital
- Issuance of preferred securities through SPC: Yen 111 bil. (Sep. ’02)
Other Financial Businesses

Integral part of the group strategy catered to small to medium-sized corporations and retail customers

- Securities Business
- Credit Card & Retail Loan Business
- Insurance Business
Securities Business: Importance in Group Strategy and Core Entity

Plays an increasingly important role in UFJ Group

**Importance in Group Strategy**

Integral part of our strategy for small to medium-sized corporations and retail customers - UFJ’s core market

- Small to Medium-sized corporations:
  Investment banking/ Services needed for finance in the capital market
- Retail Customers: Diversifying investment needs

**Core Entity**

UFJ Tsubasa Securities, merged in June 2002
Securities Business: Plans

Strong commitment to build a steady income base
- FY03 Target: Yen 30 bil. of operating profit

Strength
- Broad retail customer base of Former TSUBASA Securities
- New business opportunity by accessing to UFJ Bank’s customers

Plan
- Building steady source of income
  - Increases bond sales commission
    - Sales to retail customers of UFJ Bank
  - Reinforces Investment Banking Business
    - Services to Medium-sized corporate customers of UFJ Bank
  - Implements thorough cost reduction
Credit Card/Retail Loan Business: Importance in Group Strategy and Core Entity

With sufficient resources, will differentiate UFJ from other banking groups in the future

**Importance in Group Strategy**

- Advantage in resources: Affiliate companies & Companies with close relationship
- Contribution expected to enhance steady profit growth through increased non-interest income and loan portfolio restructuring

**Core Entity**

- Credit Card: UFJ Card
- Retail Loans: Mobit, growing on schedule, together with UFJ Bank & UFJ Card

**UFJ Card**
- TOB announced by UFJ Bank in Sep. 2002 to acquire 100% share
- Increases No. of cardholders with three international franchises: JCB, VISA, MasterCard
  - 8.6 million cardholders as of March 2002

**Mobit**
- Loan outstanding of Yen 93.2 bil. as of Sep. 2002
- Guarantees extended to consumer loans provided by regional banks
- Stable inflow of applications
- Automated Consultation Machines installed in ATM Branches of UFJ Bank
Credit Card/Retail Loans Business: Plans

Accelerates business plans utilizing group resources at its maximum
- To be the core business in our group strategy on retail market

<Credit Card Business>
- UFJ Card: card issuance of 1 mil. per year
  - Utilizing customer base of UFJ bank
- To cut expenses, cooperates with affiliate companies and companies with close relationship as soon as possible

<Annual Card Issuance (Thou. Card holders)>

<table>
<thead>
<tr>
<th>FY00</th>
<th>FY01</th>
<th>FY02 (Plan)</th>
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<tbody>
<tr>
<td>565</td>
<td>729</td>
<td>1,050</td>
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<Credit Card Business>
- UFJ Card: Strengthens card loans and revolving loans
- UFJ Bank Card Loan: Plans to introduce loans guaranteed by Mobit

Operating profit of Yen 20 to 30 bil. in FY05
Insurance Business

Strong commitment as a business with huge potentials
- Starting with sales of annuity insurance for individuals

**Annuity Insurance**

- Permitted to Banks in Oct. 2002
  - Fully utilizes broad customer base & channels of the group
  - Appropriate products to approach Private Clients
  - More products to be added for over-the-counter sales in the future

Business expansion depends on how regulation will be eased
Commitment to Maximize Group Value

Focusing resources of the Group
to become the leading comprehensive financial group

Pursuit of synergy effects on profitability
Utilizing customer base of the group
(Example)
Investment banking services of UFJ Tsubasa Securities to medium-sized corporate customers of UFJ Bank

Effective use of group resources
Sharing various channels of the group
(Example)
Trust Agency, Branch sharing

Creating New Business Opportunities

Maximizing Group Value